

**Controls Over Compliance Initiative Projects  
Have Improved, but Use of the  
Process Is Limited**

**September 2002**

**Reference Number: 2002-30-171**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**





DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

September 9, 2002

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED  
DIVISION

A handwritten signature in cursive script, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner  
Acting Inspector General

SUBJECT: Final Audit Report - Controls Over Compliance Initiative Projects  
Have Improved, but Use of the Process Is Limited  
(Audit # 200230003)

This report presents the results of our review of Compliance Initiative Projects (CIPs). The overall objectives of this review were to determine if the Small Business/Self-Employed (SB/SE) Division is meeting its goal of identifying areas of noncompliance and controlling returns for CIPs.

The SB/SE Division Examination function examines tax returns to promote the highest degree of voluntary compliance by taxpayers. The CIP process is one method used to identify tax returns for such examinations, by authorizing examiners to contact individuals within a group of taxpayers (e.g., a particular type of occupation or tax return) for the purpose of identifying and correcting noncompliance. Nationwide use of the CIP process as a source for examinations declined from 4.7 percent for examinations closed in Fiscal Year (FY) 1999 to 3.2 percent in FY 2001.

In summary, we found that management of the CIP process has improved and issues related to CIP control weaknesses identified in three previous audit reports<sup>1</sup> did not exist in the two offices we visited. Our review of open projects in those offices showed that projects were properly approved, tax return information was properly controlled, and proper separation of duties existed between employees selecting tax returns for examination and employees actually examining the returns. Also, Headquarters

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<sup>1</sup> *Compliance Project Effectiveness* (Report Number 072601, dated April 1997), *Risk Assessment of Midstates Region Examination Inventory Controls* (Report Number 362005, dated September 1996), and *The Internal Revenue Service Needs to Improve Treatment of Taxpayers During Office Audits* (Report Number 093602, dated April 1999).



recently placed a national database of CIPs on the Planning and Special Programs website, and the listing accurately reflected open projects for the two offices we visited.

However, the process for approving CIP requests requires multiple levels of review for concurrence and approval in, first, the area office submitting the request, and then the SB/SE Division's Headquarters office. Area office managers expressed frustration with the process, saying it may take months to obtain approval, which discourages examiners from recommending CIPs.

In addition, the field has been operating under draft CIP Handbook procedures since February 1998. The draft Handbook is currently being revised and updated to clarify and simplify existing procedures and to account for organizational changes that have occurred since that time. Interim procedures were issued via memorandum in December 2000, but only included updated information on the approval process and the scope of SB/SE Division CIPs. Other updated and clarified procedures have not been provided to the field, which could have contributed to several problems that we identified in the two offices we visited. These problems included taxpayer contact that could have been initiated after authorization for the project expired; insufficient monitoring of project results; and objectives that missed opportunities to include such non-examination techniques as taxpayer and practitioner education, media coverage, and legislative change.

We recommended that the Director, Centralized Workload Selection & Delivery, SB/SE Division, design methods to expedite the review and approval process for CIP requests and devise a means of determining the status of the requests during this process. The Director also needs to issue interim guidance to the field on the updated and clarified procedures since the draft CIP Handbook is still being revised.

Management's Response: The Commissioner, SB/SE Division agreed with our analysis of the CIP process and with the recommendations. The SB/SE Division plans further review of the approval process by exploring the potential for electronic review procedures that allow simultaneous review and approval, and plans to better use the CIP database for tracking local and national projects. They also plan to finish the draft CIP Handbook in September 2002 and will forward the approved procedures to the field as interim guidance until the Internal Revenue Manual is formally published.

Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Gordon C. Milbourn III, Assistant Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-3837.

Attachment



**Controls Over Compliance Initiative Projects Have Improved,  
but Use of the Process Is Limited**

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## Controls Over Compliance Initiative Projects Have Improved, but Use of the Process Is Limited

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### Background

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The Small Business/Self-Employed (SB/SE) Division Examination function examines tax returns to promote the highest degree of voluntary compliance by taxpayers. The Compliance Initiative Project (CIP) process is just one of many sources used to identify tax returns for such examinations. The CIP process is used to authorize examiners to contact individuals within a group of taxpayers (e.g., a particular type of occupation or tax return) for the purpose of identifying and correcting noncompliance. Tax returns identified through CIPs might not be identified through the other sources for selecting returns.

Conducting tax return examinations is just one way of identifying noncompliance and improving voluntary compliance. Voluntary compliance can also be improved through actions such as taxpayer and practitioner education, media coverage, and legislative changes. Many of these efforts in the SB/SE Division are coordinated by the Taxpayer Education and Communication (TEC) function. Information about noncompliance, such as that identified during CIP examinations, is valuable for the TEC function in designing efforts to improve voluntary compliance.

We visited two area offices that had a total of 96 CIPs open at some point during Fiscal Year (FY) 2001, many of which were closed by the end of the fiscal year. As of the end of FY 2001, CIPs were the source for only 2,883<sup>1</sup> of the 124,342 open examinations in the two area offices visited.

The single major issue of the open CIP examinations in the two offices was trusts (553 tax returns). Improving compliance in the area of trusts is one of the SB/SE Division's major strategies.

Results from examinations of tax returns identified by CIPs can be more productive than those identified through other methods. For example, the dollars per hour<sup>2</sup> for tax returns identified for examination through the Discriminant Index

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<sup>1</sup> Excludes training tax returns for newly hired examiners.

<sup>2</sup> The proposed additional tax divided by the number of hours spent conducting the examination.



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Function (DIF)<sup>3</sup> ranged from \$193 to \$1,080 for the two offices visited, while the figure for local CIPs in those offices ranged from \$32 to \$2,541. Though these results indicate that CIPs can be an effective method of identifying tax returns for examination, nationwide use of CIPs as a source for examinations declined by 1.5 percent for those closed between FYs 1999 and 2001.

We conducted our review in Planning and Special Programs (PSP) offices located in Area Offices 5 (Florida) and 16 (Los Angeles), and the SB/SE Division Headquarters office between November 2001 and May 2002. The review was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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### Management of Key Aspects of the Compliance Initiative Project Process Was Effective

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Management of the CIP process has improved and issues related to CIP control weaknesses identified in three previous audit reports<sup>4</sup> did not exist in the two offices visited. Our review of open projects in those offices showed that:

- Projects were properly approved, and we did not identify any indication of information gathering prior to approval.
- Uncontrolled tax return information was kept in only one of eight open project files reviewed. However, we believe this was just an isolated oversight since other tax return information for the project was timely controlled.
- Generally, PSP function employees selected tax returns from CIPs for examination. This provided

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<sup>3</sup> DIF is an automated method used by the Examination function to identify the examination potential of tax returns.

<sup>4</sup> *Compliance Project Effectiveness* (Report Number 072601, dated April 1997), *Risk Assessment of Midstates Region Examination Inventory Controls* (Report Number 362005, dated September 1996), and *The Internal Revenue Service Needs to Improve Treatment of Taxpayers During Office Audits* (Report Number 093602, dated April 1999).



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for a proper separation of duties between selecting and examining employees.

In addition, the SB/SE Division Headquarters recently placed a national database of CIPs on the PSP website. Our review of the listing showed that it accurately reflected open projects for the two area offices we visited. Use of this file should enable area offices to quickly determine if other offices are working similar CIPs and eliminate any duplication of effort in planning projects.

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### **The Approval Process Could Discourage Offices from Requesting Compliance Initiative Projects**

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CIP requests currently require multiple levels of review for concurrence and approval in, first, the area office submitting the request, and then the SB/SE Division Headquarters. Area office managers expressed frustration with the process, saying it can take months to obtain approval. In an effort to ease this concern, PSP Territory Managers were recently removed from the approval process. Even so, the process still involves a minimum of eight levels of review for concurrence and approval on each CIP request. This number of review levels does not appear consistent with messages delivered at the SB/SE Division's Leadership 2002 Managers Meeting that employees should be empowered and allowed to take risks without repercussion.

In addition to the number of reviewers involved, some of the delays can be attributed to demands on the SB/SE Division's Headquarters personnel involved in the approval process. During the scope of our review, issues not addressed in the stand-up<sup>5</sup> design were still being resolved and the Headquarters CIP analyst was detailed to other assignments.

Eight of the 16 area offices that responded to our questions about the approval process have submitted requests through Headquarters for approval. Only two of the eight reported no delays in the process; the other six reported it has taken from six weeks to seven months to obtain CIP approval. Two of the six indicated that field employees are so frustrated by the process that they have stopped submitting

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<sup>5</sup> Stand-up refers to the implementation of the Internal Revenue Service-wide reorganization that occurred in October 2000, which created the SB/SE Division.



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ideas for CIPs. One of the offices in our review submitted requests to extend current projects in September 2001, and then resubmitted them in January 2002 thinking the first requests must have gotten lost. As of early June 2002, they still had not received word on the extensions. This frustration with the approval process could be a significant cause for CIP source examinations nationwide declining from 4.7 percent of those closed in FY 1999 to 3.2 percent in FY 2001.

Field employees directly involved in conducting examinations of tax returns have long been considered the best source for identifying noncompliance. Not taking advantage of this source of information could have a negative impact on the mission of improving voluntary compliance, especially since Examination function management believes that the criteria for the DIF tax return identification system is outdated and is not identifying the most productive workload.

One change currently being considered might help remove some of the frustration and encourage field employees to submit CIP requests. The SB/SE Division Headquarters staff is considering allowing area office PSP Chiefs to approve CIPs involving few taxpayers (generally less than 30 taxpayers), cutting 4 levels of review from the approval process. This would allow offices to test their theory about noncompliance without going through the extensive approval process currently required. Once the theory is proven, the offices might be more likely to request the expanded scope CIPs that would still require approval through the Headquarters office.

In addition to the lapsed time in the approval process, frustration exists because there is no efficient method for the area offices to determine the status of the request while it is flowing through the approval process. The only method is to trace the request through each person involved in the process.



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### Recommendation

1. We recommend that the Director, Centralized Workload Selection & Delivery, SB/SE Division, continue to design methods to expedite the review and approval process for CIP requests and devise a means of determining the status of the requests during this process.

Management's Response: SB/SE Division management plans to further review the approval process by exploring the potential for electronic review procedures similar to those used in the Internal Revenue Manual (IRM) clearance process, which allow simultaneous reviews and approvals. They also intend to better use the CIP database for tracking local and national projects, and to make the area offices aware of and privy to the database tracking features.

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### Outdated and Unclear Procedures Could Adversely Impact Management of the Compliance Initiative Project Program

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The field has been operating under draft CIP Handbook procedures since February 1998. The Headquarters staff is currently revising and updating the draft Handbook. Changes are being made to revise, clarify, and simplify existing procedures, and to account for organizational changes that occurred when the new organization stood up in October 2000. Interim procedures were issued via memorandum in December 2000, but only included updated information on the approval process and the scope of SB/SE Division projects. At the time, it was expected that the official CIP Handbook would be issued by December 2001.

The General Accounting Office's *Standards for Internal Control in the Federal Government* provide that internal controls need to be clearly documented, and the documentation should be readily available for examination. In addition, all documentation and records should be properly managed and maintained.

The following are examples of issues identified in the two offices that we believe occurred because the field did not have updated and clarified procedures. While information to update and clarify procedures related to these issues is currently included in the revised draft CIP Handbook, the information has yet to be officially provided to the field. The revised handbook was issued for comment within the



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Headquarters office in December 2001. However, the CIP Program Analyst then went on leave and upon returning to the office was detailed to another project. A replacement was only recently appointed.

### **Taxpayer contact could have been initiated after authorization for the project expired**

The draft CIP Handbook provisions for when a project extension is needed are vague and could be misunderstood; it simply provides that an extension request must be submitted “when necessary.” The revised draft CIP Handbook currently contains text that will provide clarification. The revision provides that no new taxpayer contact should be initiated after the project completion date expires, and that, if taxpayer contact will be initiated, an extension to the completion date should be obtained before making the contact. This clarification was provided by telephone to one of the offices visited.

We reviewed a judgmental sample of 12 of 31 CIPs that expired prior to the end of FY 2001 from the 2 offices visited (6 projects from each) and identified 327 taxpayer cases where contact could have been initiated after the project completion date. In these cases, the tax returns were assigned to an examiner up to one year after the project completion dates expired. We did not review the case files to determine if the examiner actually contacted the taxpayer.

### **Monitoring of project results has not been sufficient since the new organization stood up in October 2000**

Procedures for monitoring CIPs have not been updated to account for changes that resulted from the reorganization implemented in October 2000. The draft CIP Handbook in use by the field placed responsibility for oversight of CIP activities with the Chief of the function originating the CIP; generally this would have been the Chief, Examination Division under the old Internal Revenue Service (IRS) structure. This oversight responsibility included annual reviews that, in part, were to ensure that results of CIP activities were commensurate with the resources expended and to consider the merits for continuing the CIP. The Chief, Examination Division, position was abolished during



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the IRS reorganization. The current version of the revised draft CIP Handbook places these oversight responsibilities with the Chief, PSP.

Current monitoring of the CIP Program by the PSP Chiefs emphasizes making sure adequate inventory is maintained to fill the tax return needs of the examination groups.

In addition, one traditional method used by management to monitor CIPs is the analysis of Records of Tax Enforcement Results (ROTERS)<sup>6</sup> information. This information was not consistently used in the two offices we reviewed. In one area office, status reports were prepared in one of two PSP offices. The reports contained ROTERS such as dollars per hour and hours per return on the open CIPs. No such analysis was made by the second PSP office. In the other area office, status reports had been discontinued in late 1997 because of the misconception that PSP was excluded from maintaining ROTERS. The current version of the revised draft CIP Handbook clarifies this misconception by requiring that PSP CIP Coordinators maintain ROTERS.

During FY 2001, 44 percent of the local CIPs resulted in lower dollars per hour results than that for examinations of tax returns identified through the DIF selection process for the two area offices visited (from 33 percent to 67 percent were lower than DIF).

### **The objective of many CIPs did not emphasize addressing noncompliance other than through conducting examinations of tax returns**

The General Accounting Office reported in February 1998<sup>7</sup> that, historically, the IRS used Information Gathering Projects<sup>8</sup> as tools for enforcing tax laws rather than as research tools for collecting data about compliance within taxpayer populations. Converting to the CIP process was an effort to include research activities in the process. However,

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<sup>6</sup> ROTERS are data or statistics, or other numerical or quantitative information, about tax enforcement results.

<sup>7</sup> *IRS' Use of Information Gathering Projects* (GAO/GGD-98-39, dated February 1998).

<sup>8</sup> Information Gathering Projects were a predecessor to CIPs and were used to identify tax returns for examination.



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the objective of many of the open CIPs in the offices we visited was only to identify tax returns for examination. Many of these CIPs were open for three or four years and the same criteria would be applied to identify tax returns for examination year after year. The projects did not include outreach efforts to improve compliance such as taxpayer and practitioner education and media coverage, or legislative changes.

The draft CIP Handbook provides that one of the fundamental objectives of CIPs is to improve voluntary compliance, but made little mention of utilizing outreach efforts. The current revision to the draft CIP Handbook still emphasizes improving noncompliance, but now facilitates that process by including the SB/SE Division's TEC function in the CIP approval process.

### **Recommendation**

2. We recommend that the Director, Centralized Workload Selection & Delivery, SB/SE Division, issue interim guidance to the field with changes already drafted for the issues noted above.

Management's Response: SB/SE Division management plans to finish the final draft of the CIP Handbook in September 2002, and will include all considerations. They will forward the approved IRM procedures to the field through interim guidance instructions when they send the IRM for publishing.



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### **Appendix I**

#### **Detailed Objectives, Scope, and Methodology**

The overall objectives of this review were to determine if the Small Business/Self-Employed Division is meeting its goal of identifying areas of noncompliance and controlling returns for Compliance Initiative Projects (CIPs). This also included follow-up on corrective actions taken on issues previously reported.<sup>1</sup>

- I. Evaluated the effectiveness of controls and procedures used in Area Offices 5 and 16 to authorize CIPs.
  - A. Interviewed Area Planning and Special Programs (PSP) Support Managers to identify controls and procedures used to authorize CIPs.
  - B. Obtained and reviewed CIP authorization forms for the 96 CIPs open during Fiscal Year (FY) 2001 to verify documentation of management approval and ensure requests were detailed to target a specific non-compliant group of taxpayers. Ensured that requests covered the appropriate geographic area for the area office and taxpayers included in the project.
  - C. Reviewed a judgmental sample of 12 (6 from each office visited) of the 31 CIPS initiated by the 2 offices visited with tax returns under examination during FY 2001, but whose authorization expired prior to the end of FY 2001 to determine if taxpayer contact was initiated after the project authorization expired. We selected a judgmental sample because a statistical projection was unnecessary.
  - D. Determined if sufficient documentation was available to support the basis of the CIP, indicating that non-compliance existed, and provided a basis for expending resources.
  - E. Identified what sources were researched to determine whether similar data or projects, either open or closed, existed.
  - F. Determined if a Planning Council or other multi-functional group existed in the area offices and what role they played in authorizing CIPs and in the CIP process.
  - G. Determined if there was a central control list for all CIPs open in the area offices and nationwide.

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<sup>1</sup> *Compliance Project Effectiveness* (Report Number 072601, dated April 1997), *Risk Assessment of Midstates Region Examination Inventory Controls* (Report Number 362005, dated September 1996), and *The Internal Revenue Service Needs to Improve Treatment of Taxpayers During Office Audits* (Report Number 093602, dated April 1999).



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- H. Determined who was responsible for identifying and selecting returns to include in the projects. Reviewed selected projects to ensure there was adequate separation between these duties and the employees actually conducting the examinations.
- II. Determined whether accesses to taxpayer data during the CIP reviews were for valid business purposes.
  - A. Reviewed Integrated Data Retrieval System (IDRS)<sup>2</sup> audit trail information for Calendar Year 2001 to determine if CIP Coordinators used command code ESTAB<sup>3</sup> to request tax returns.
  - B. Obtained Midwest Automated Compliance System (MACS)<sup>4</sup> listings from CIP files.
    - 1. Checked a judgmental sample of 85 of 696 accounts identified on the MACS listings to determine if the accounts were controlled on the Audit Information Management System. We selected a judgmental sample because a statistical projection was unnecessary.
    - 2. Checked the control number identified from the MACS listings to determine if the MACS research was approved prior to the research.
    - 3. Compared the CIP approval date and the date of the MACS listing to determine if the CIP was approved prior to identifying taxpayer accounts.
  - C. Reviewed a judgmental sample of 7 of 38 CIP files open as of the end of FY 2001. We selected a judgmental sample because a statistical projection was unnecessary.
    - 1. Identified the source of the data for the CIP and determined if the data was adequately protected and controlled.
    - 2. Determined if data contained in the files was properly authorized and if tax return data was controlled.
    - 3. Determined if tax returns were controlled prior to contacting the taxpayers.
- III. Determined whether the CIPs were productive.
  - A. Reviewed Examination Tables 37.<sup>5</sup>
    - 1. Analyzed results of local projects for the two area offices visited.

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<sup>2</sup> The IDRS is the Internal Revenue Service's (IRS) computer system that employees use to retrieve and update stored information; it works in conjunction with taxpayers' account records on the IRS' main computer system.

<sup>3</sup> ESTAB is an IDRS command code that can be used to request original tax returns from storage files.

<sup>4</sup> The MACS is a computer system developed by the Examination function that contains tax return information. One use of the MACS is to identify tax returns for examination.

<sup>5</sup> Tables 37 are Examination function management information reports used to monitor the Examination program.



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2. Compared CIP results in the two area offices to results from examinations identified by the Discriminant Index Function (DIF).<sup>6</sup>
- B. Interviewed Headquarters and area office personnel to determine how results were monitored.
- C. Reviewed monitoring information used by Headquarters and area offices.

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<sup>6</sup> DIF is an automated method used by the Examination function to identify the examination potential of tax returns.



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**Appendix II**

**Major Contributors to This Report**

Gordon C. Milbourn, III, Assistant Inspector General for Audit (Small Business and Corporate Programs)

Parker F. Pearson, Director

Amy L. Coleman, Audit Manager

Joseph F. Cooney, Senior Auditor

Joseph P. Snyder, Senior Auditor

Donald Evans, Auditor



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**Appendix III**

**Report Distribution List**

Commissioner N:C  
Deputy Commissioner N:DC  
Deputy Commissioner, Small Business/Self-Employed Division S  
Director, Compliance, Small Business/Self-Employed Division S:C  
Director, Centralized Workload Selection & Delivery, Small Business/Self-Employed Division  
S:C:CP:CW  
Program Manager, Examination Return Selection, Small Business/Self-Employed Division  
S:C:CP:CW:ERS  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O  
Office of Management Controls N:CFO:F:M  
Audit Liaison:  
Commissioner, Small Business/Self-Employed Division S:C:CP:I



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**Appendix IV**

**Management's Response to the Draft Report**



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

**AUG 30 2002**

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

**FROM:**

*jk* Joseph Kehoe *Joe F. Kehoe*  
Commissioner Small Business/Self-Employed Division

**SUBJECT:**

Draft Audit Report – Controls Over Compliance Initiative Projects  
Have Improved, but Use of the Process Is Limited  
(Audit # 200230003)

I reviewed your report and appreciate your recognition of the improvements we made in managing our Compliance Initiative Projects (CIPs). I agree with your analysis of the CIP process and with your recommendations.

As stated in your report, we have already started taking steps to address the recommendations. The following comments on your recommendations explain the continued actions we are taking.

**RECOMMENDATION 1**

We recommend that the Director, Centralized Workload Selection & Delivery, Small Business/Self-Employed Division (SB/SE), continue to design methods to expedite the review and approval process for CIP requests and devise a means of determining the status of the requests during this process.

**ASSESSMENT OF CAUSE**

CIP requests currently require multiple levels of approval, first by the area office submitting the request, and then by the SB/SE Division Headquarters. In addition to the time lapses in the approval process, we have no efficient method for the area offices to determine the status of the request during the approval process. We can only trace the request through each person involved in the process.

**CORRECTIVE ACTION**

To expedite the review and approval process, we recently removed Planning and Special Programs (PSP) Territory Managers from the approval process. In addition, we are revising the Internal Revenue Manual (IRM) to allow area office PSP Chiefs to approve CIPs involving few taxpayers (generally less than 30 taxpayers), which will cut



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- four levels of review from the approval process. Fewer approval levels will allow offices to test their theory about noncompliance without going through the extensive approval process currently required.

- We plan further review of the approval process by exploring the potential for electronic review procedures similar to those used in the IRM clearance process, which allow simultaneous reviews and approvals. We will seek Midwest Automated Compliance System (MACS) assistance to implement a filing and tracking system, including electronic signature processing, in a program similar to a database mailbox.

- We intend to better use the CIP database for tracking local and national projects, and to make the area offices aware of and privy to the database tracking features. Simplified tracking will become a reality, particularly with the electronic review procedures above. Even without fully implementing electronic reviews, we can implement database expansion to allow for tracking of all CIPs from origination to final approval.

### **IMPLEMENTATION DATE(S)**

- January 1, 2003 - IRM publication

- January 1, 2003 - Implementation of electronic tracking and signature processing

### **RESPONSIBLE OFFICIAL(S)**

Director, Centralized Workload Selection & Delivery, SB/SE Division

### **CORRECTIVE ACTION MONITORING PLAN**

The Exam Return Selection office, SB/SE Division will advise the Director, Centralized Workload Selection & Delivery, SB/SE Division, of any delays or problems.

### **RECOMMENDATION 2**

We recommend that the Director, Centralized Workload Selection & Delivery, SB/SE Division, issue interim guidance to the field with changes already drafted for the issues noted above.

### **ASSESSMENT OF CAUSE**

We have not officially distributed the changes already drafted to address the issues in Recommendation 1 to the field.

### **CORRECTIVE ACTION**

The field has been operating under draft CIP Handbook procedures since February 1998. The Headquarters staff is revising and updating the draft Handbook. We are making changes to revise, clarify, and simplify existing procedures, and to



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- account for organizational changes that occurred when the new organization stood up in October 2000. We issued interim procedures via memorandum in December 2000, but only included updated information on the approval process and the scope of SB/SE Division projects. At that time, we expected to issue the official CIP Handbook by December 2001.

We are in the process of making the handbook cross functional. Large and Mid-Size Business (LMSB) and Taxpayer Education and Communications (TEC) have received draft copies of the updated IRM and are preparing their input. We will finish the final draft of the CIP Handbook in September 2002, and will include all considerations. We will forward the approved IRM procedures to the field through interim guidance instructions when we send the IRM for publishing.

### **IMPLEMENTATION DATE(S)**

December 1, 2002

### **RESPONSIBLE OFFICIAL(S)**

Director, Centralized Workload Selection & Delivery, SB/SE

### **CORRECTIVE ACTION MONITORING PLAN**

The Exam Return Selection office, SB/SE Division will advise the Director, Centralized Workload Selection & Delivery, SB/SE Division, of any delays or problems.

If you have any questions, please contact me, or Joseph R. Brimacombe, Deputy Director, Compliance Policy, SB/SE Division, at (202) 283-2200.